

HR 17488

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TO: PRIORITY DIRECTOR,

ADMIN

REF: STATE TELEGRAM 270247 C

ASSUME HQS IS AWARE OF REF. WOULD BE INTERESTED IN  
 KNOWING CURRENT STATUS OF BILL, WHAT ACTION THE AGENCY IS  
 TAKING, AND ESTIMATED CHANCES OF ITS SUCCESS. PLEASE  
 ADVISE. E2, IMPDET.

\* NO RECORD IN CABLE SECRETARIAT

Introducing!  
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## DEPARTMENT OF STATE TELEGRAM

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ORIGIN AFSA/BOS

INFO OCT-01 1003 R

DRAFTED BY AFSA/BILLWILLIAMSON  
APPROVED BY DO/EMILHEINEKER  
AFSA/BTBOYATTR 181344Z DEC 74  
FM SECSTATE WASHDC  
TO ALL DIPLOMATIC POSTS

UNCLAS STATE 270247

E.O.: 11082 NA  
TAGS: NA  
SUBJECT: THE ALLOWANCES - EMERGENCY

APOA TELEGRAM

DELIVER TO: AFSA REPRESENTATIVE OR ALTERNATE IN STRISBURG  
CONSTITUENT POSTS

1. HOUSE WAYS AND MEANS COMMITTEE ON NOVEMBER 26, 1974, REPORTED OUT H.R. 17488, MAKING ALL FOREIGN SERVICE OVERSEAS ALLOWANCES TAXABLE. THIS WOULD HAVE EFFECT OF MAKING CONTINUATION IN THE FOREIGN SERVICE POSSIBLE ONLY IF THE INDEPENDENTLY WEALTHY, AND FORCE MANY RESIGNATIONS. EFFORTS OF AFSA AND MANAGEMENT MAY SUCCEED IN KEEPING BILL FROM BECOMING LAW THIS SESSION, BUT WE NEED HELP OF EVERYONE IN FOREIGN SERVICE TO DEFEAT THE BILL AND TO PREVENT IT FROM BEING RAISED AGAIN NEXT SESSION.

2. BACKGROUND ON THE BILL: ON NOVEMBER 26, WITHOUT HEARING OR ADVANCE NOTICE, HOUSE WAYS AND MEANS COMMITTEE BROUGHT OUT A LIMITED TAX REFORM BILL, WHOSE PRIMARY EFFECT WOULD BE TO PHASE OUT OIL DEPLETION ALLOWANCES AND TAX WINDFALL OIL PROFITS. UNFORTUNATELY, ONE PROVISION OF THE BILL (TITLE III, SECTION 311(b)), WILL PHASE OUT OVER NEXT THREE YEARS TAX EXEMPT STATUS OF ALL OVERSEAS FOREIGN SERVICE ALLOWANCES, INCLUDING REPRESENTATION,

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12/16/74 - IS DTA 10 DEC 74.

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HOUSING, COST-OF-LIVING, EDUCATION, EDUCATIONAL TRAVEL,

SHIPPING AND TRANSPORTATION, AND A NUMBER OF OTHERS. THE BILL IS THE RESULT OF PRESSURE FROM A NUMBER OF ORGANIZATIONS, PARTICULARLY THE AFL-CIO, TO PRESS FOR TAX REFORMS AND STRIKE A BLOW AT MULTINATIONAL CORPORATIONS IN GENERAL AND OIL COMPANIES IN PARTICULAR.

3. EFFECT OF THE BILL ON THE FOREIGN SERVICE: EXCEPT FOR POST DIFFERENTIALS (CHARACTER ALLOWANCES), FOREIGN SERVICE ALLOWANCES ARE DESIGNED TO ASSURE THAT THE BURDEN OF ORDINARY COSTS OF LIVING OVERSEAS ARE CARRIED BY THE GOVERNMENT, JUST TO KEEP FOREIGN SERVICE PEOPLE ON A PAR WITH THOSE SERVING IN WASHINGTON.

IF BILL PASSES, MOST FOREIGN SERVICE EMPLOYEES WOULD HAVE \$5,000 TO \$25,000 ADDED TO THEIR TAXABLE INCOME, WHICH WOULD ALSO PLACE THEM IN A SUBSTANTIALLY HIGHER TAX BRACKET. SERVICE AT MOST POSTS OVERSEAS WOULD BECOME SUBSTANTIALLY MORE EXPENSIVE IN SPITE OF ALLOWANCES, THAN WOULD BE STAYING IN WASHINGTON AND LIVING OFF ONE'S SALARY.

CONSIDER, FOR EXAMPLE, TWO INDIVIDUALS, ONE WOMAN AT A MODERATELY EXPENSIVE POST, AND A GUY IN WASHINGTON, ASSUME COMPARABLY-SIZED FAMILIES. THE EFFECT, TAKING ONLY THREE ALLOWANCES (HOUSING, COST-OF-LIVING AND EDUCATION), WOULD BE AS FOLLOWS:

FOO-4 ABROAD      80487DN

SALARY	822,000	822,000
ALLOWANCES (QUARTERS, EDUCATION, COST-OF-LIVING)	14,000	14,000
GROSS TAXABLE INCOME	38,000	38,000
INCOME TAX	8,000	3,600
ADJUSTMENT FOR HOUSING, EDUCATION AND COST-OF- LIVING	14,000	5,000
REMAINING DISPOSABLE INCOME	14,000	30,400

THE FOREIGN SERVICE EMPLOYEE WOULD THUS BE ALMOST \$1,000

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A YEAR WORSE OFF THAN A WASHINGTON-BASED EMPLOYEE. APP ALL ALLOWANCES WERE USED, THE EFFECT WOULD BE EVEN WORSE. LOWER PAID STAFF PERSONNEL WOULD HAVE THEIR DISPOSABLE INCOMES REDUCED BY EVEN LARGER PERCENTAGES. OUR PROBLEM, INARY STUDY INDICATES THAT SERVICE AT MOST POSITIVE OVERHEADS WOULD BECOME SUBSTANTIALLY MORE EXPENSIVE IN SPITE OF ALLOWANCES, THAN WOULD BE STAYING IN WASHINGTON AND LEAVING OFF ONE'S SALARY. IF THIS LEGISLATION IS ALLOWED TO PASS, WE PREDICT THE RESULT WILL BE LARGE SCALE RESIGNATIONS FROM THE FOREIGN SERVICE OVER THE NEXT FOUR YEARS, AND THE

NEAR TOTAL DESTRUCTION OF THIS COUNTRY'S CAPACITY TO BE SERVED ABROAD BY THE BEST (AS OPPOSED TO THE MOST HEALTHY) INDIVIDUALS.

4. WHAT AFSA IS DOING ABOUT IT: THE BILL WAS REPORTED OUT OF COMMITTEE SO RAPIDLY THAT IT CAUGHT EVERYONE (BY) SURPRISE. INDEED, WE WERE PROBABLY THE FIRST ORGANIZATION TO LEARN THAT THIS HAD HAPPENED, HAVING BEEN TIPPED OFF THE MORNING OF THE VOTE. THAT SAME AFTERNOON, AS THE BILL HAS REPORTED OUT, WE INDICATED OUR OBJECTIONS TO THE COMMITTEE STAFF, NOTIFIED KEY INDIVIDUALS CONCERNED WITH FOREIGN AFFAIRS IN THE SENATE AND THE HOUSE, AND NOTIFIED CONCERNED LOBBYING ORGANIZATIONS. WE CONVENED AN EMERGENCY MEETING WITH SENIOR DEPARTMENT OFFICIALS, WITH WHOM WE WORKED OUT A COMMON STRATEGY FOR DEALING WITH THIS ISSUE, AND WERE ABLE TO CONVINCE THE AGENCIES TO INTERVENE DIRECTLY WITH THE CONGRESS. WITH MANAGEMENT WE AGREED AT THAT MEETING THAT SUIT, DEMAND-IN-THE-SCENES PRESSURE WOULD BE THE BEST STRATEGY FOR DEALING WITH THE IMMEDIATE THREAT; BUT THAT A STRONG PUBLIC POSTURE WOULD BE ESSENTIAL THEREAFTER. THAT TIME HAS NOW ARRIVED. WHILE WE ARE CONTACTING EVERY SENATOR, KEY CONGRESSIONAL AND DEALING WITH OTHER INTERESTED GROUPS, WE NEED YOUR HELP.

5. WHERE THINGS STAND NOW: WE MUST TAKE URGENT STEPS TO ASSURE THAT THIS BILL DOES NOT PASS THIS SESSION. THE BILL HAS A 50-50 CHANCE OR BETTER OF PASSING THE HOUSE THIS SESSION, BUT PROSPECTS IN THE SENATE ARE WEAKER. ACCORDINGLY, AFSA IS PUTTING MOST OF ITS EFFORTS INTO

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THE SENATE.

6. APBA REPRESENTATIVES SHOULD URGENTLY BRING THIS INFORMATION TO ATTENTION OF ALL FOREIGN SERVICE PERSONNEL, MEMBERS AND OTHER AFFECTIONED GOVERNMENT PERSONNEL AT POST. MEMBERSHIP AT POST SHOULD IMMEDIATELY WRITE OR CABLE THEIR CONGRESSMAN AND ESPECIALLY THEIR TWO SENATORS, URGING THEM TO REJECT THESE PROVISIONS OF H.R. 17480 AND ANY LIKE IT WHICH MAY BE RAISED IN THE NEXT SESSION. IN DOING SO, INQUIRIES ALSO SHOULD STRESS HOW THEY WOULD BE AFFECTED PERSONALLY, GIVING SPECIFICALLY IF THESE PROVISIONS WOULD FORCE YOU TO RESIGN FROM THE SERVICE, OR REFUSE SERVICE AT EXPENSIVE COSTS. YOU SHOULD SO INDICATE.

7. APBA REPS AND CHAPTERS ARE ALSO REQUESTED TO PREPARE A REPORT ON WHAT IMPACT THIS LEGISLATION WOULD HAVE ON PERSONNEL AT YOUR POST. THIS INFORMATION WILL BE ENVALUABLE AS EVIDENCE IN DISCUSSING THE ISSUE WITH MEMBERS OF THE CONGRESS, THE PRESS, ETC., REGARDS, BOYATT

INTERESTED PARTY INGERSOLL

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